



**Mortgage Bankers Association of Georgia, Inc.**

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July 25, 2011

**VIA EMAIL**

[regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov)

Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, DC 20551

RE: Credit Risk Retention - Docket Number R-1411

Ladies and Gentlemen:

I have the honor of serving as President of the Mortgage Bankers Association of Georgia (“MBAG”) and am submitting this comment letter in response to the above-referenced proposed rule (“Rule”) on behalf of MBAG. MBAG supports the goal of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Act”) to establish an exemption from the risk retention requirements for loans which have been underwritten based upon valid and legitimate documentation so as to produce quality mortgage loans which will perform in accordance with their terms. MBAG is deeply concerned that the Rule far exceeds Congress’s intentions and that it will severely impact our nation’s economic recovery and the ability of American families to realize the dream of home ownership. MBAG fears that minorities will be especially adversely impacted.

MBAG would prefer that the definition of a “qualified residential mortgage” match the definition of a “qualified mortgage” to ensure the shared purpose of achieving well underwritten mortgages. Moreover, such a goal would ease the compliance burden for mortgage lenders while best serving consumers. Most notably, the three percent cap on points and fees in the qualified residential mortgage definition is too low and should exclude *bona fide* discount points. We urge you to also consider varying treatment for smaller loans.

The Act does not mandate that qualified residential mortgage loans be defined by loan-to-value (“LTV”) and debt-to-income (“DTI”) requirements. Not only is it unnecessary to include LTV and DTI standards in the Rule, but including LTV and DTI requirements, especially those as strict as proposed, will gravely impact consumers’ ability to obtain affordable loans. Many

consumers will be left with no alternative other than what, in essence, constitute government loans. This will inappropriately shift risk to our government instead of allowing it to be spread over and assumed by private lenders offering consumers sensible loan products based upon appropriate documentation.

FHFA data demonstrate that removing the STI requirement would result in making far more loans (up to 24%) with only a small increase in cumulative delinquencies. Similarly, FHFA data demonstrate that removing the LTV requirement would result in a large increase in qualifying loans (up to 17%) with a relatively small increase in cumulative delinquencies.

The definition of qualified residential mortgage set forth in the Rule is far too limiting and is contrary to the interests of consumers as well as the mortgage lending industry. According to FHFA data, only 30% of loans purchased by Fannie Mae and Freddie Mac in 2009 would have met the proposed requirements, and 2009 was a year of extremely conservative underwriting standards.

The 20% down payment required in the Rule for qualified residential mortgages would render it virtually impossible for many families to acquire a home. Based upon data published by the Mortgage Bankers Association of America ("MBA"), it could take moderate income borrowers in certain markets up to 18 years to save a 20% down payment on a moderately priced home. Federal Reserve data, also published by the MBA, demonstrates that minorities will fare even worse under the Rule which is contrary to everyone's best interest.

Not only first-time home buyers will be impacted. Those borrowers seeking to refinance into a loan with better terms could be barred from doing so due to a decline in housing values. In many markets and circumstances, the proposed LTV requirement could effectively ban refinances.

By making home ownership unachievable, more families will be forced to rent. This will upset the balance of rental and ownership markets and result in higher rental rates. Of course, higher rental rates will make it even more difficult for families to save the required down payment set forth in the rule.

MBAG urges you to consider limiting the duration of the securitizer's risk. The Act does not contemplate including in the qualified residential mortgage definition loan servicing standards. We believe that doing so will result in unquantifiable risks which could effectively prohibit securitizations. Moreover, MBAG believes it would inappropriately result in different servicing standards for different loan types.

Because of the magnitude of the Rule and its potential impact, we urge you to reissue a proposed rule and allowing comments before issuing a rule in final form. While we are all anxious to implement the best possible rules to protect consumers and restore housing markets and the economy, it is imperative that we not rush to implement a rule without considering its full impact. Therefore, we respectfully request that you continue to work with

consumer groups, the mortgage lending industry, capital markets and the legislature to ensure the final rule achieves what it must under the Act without adversely impacting those already suffering.

Finally, MBAG supports the position of the MBA as it has been expressed prior to our preparation of this letter. Therefore, we encourage you to consider MBA's comments as MBAG's members share those same concerns.

Respectfully submitted,

MORTGAGE BANKERS ASSOCIATION OF GEORGIA

A handwritten signature in black ink, reading "Georgette Mooneyham". The signature is written in a cursive style with a large, sweeping initial "G" and a long, horizontal flourish extending to the left.

Georgette Mooneyham, President